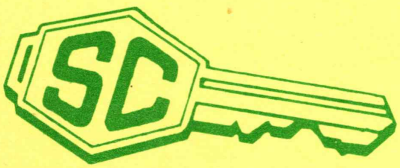
MONEY CRISIS



INSTITUTE (INC.)

MODERN MONEY

THE MONEY SYSTEM EXPLAINED

Money is one of society's most important facilities, yet very few people understand its origin.

When more money comes into circulation, most people have no idea where it comes from. This is understandable as the manner of its creation is not generally explained. In early history all money was coin, either gold, silver or copper, all minted in the Royal Mint. It was spent into circulation, firstly by kings and later by Governments for their own use.

No one questioned that it was the sole right of the nation to provide its own money supply or that it was spent by the governments of that nation. This system served well throughout the agricultural period of Britain's history.

With industrialisation, coinage was quite inadequate for the tremendous increase in the volume of business. The merchants soon discovered that a receipt or promissory note from the goldsmiths served just as well as their gold which was left with the goldsmith for safe keeping. The goldsmiths soon found that they could quite safely issue more promissory notes than they held gold to cover. These were issued to the borrower at interest as credit to the goldsmiths and a debt against the borrower. The promissory notes were credit which had been created out of nothing. They were our first paper money.

HISTORY OF MONEY

In 1694, a private company called the Bank of England, was formed after being granted a charter by Government. One clause stated, "The Bank shall have profit on all money created out of nothing."

Other Trading Banks were soon formed and trading under the same conditions. They printed their own notes to their own colour and design.

They still obtained their coinage from the Government.

In NZ, 1934, the then Minister of Finance formed our Reserve Bank and appointed a Board of Directors. They were given a Government cheque for 21 million pounds and told to organise their institution as a central government bank. Private persons were allowed to be shareholders.

The shareholders were bought out by the first Labour Government in 1935 and the Bank then became the sole property of the people of New Zealand. The right to print their own banknotes was withdrawn from the trading banks. From that time on, the Reserve Bank had the sole right to print our currency. What that Labour Government failed to do was to deprive the Trading Banks of their right to create money out of nothing, as a debt to the people of New Zealand.

History may record this little error as one of the most disastrous ever made by any Government.

This was the birth of the major part of our monetary system as we know it today. The report of the NZ Royal Commission on Monetary—Banking and Credit Systems, states on page 47.

"THE FACT THAT A LARGE PROPORTION OF OUR MONEY SUPPLY COMES INTO EXISTENCE AS A RESULT OF THE OPERATIONS OF THE TRADING BANKS OBVIOUSLY DISTURBED MANY WITNESSES WHO APPEARED BEFORE US. A NUMBER SEEMED TO THINK THAT THIS CREATION OF CREDIT WAS A RELATIVELY RECENT PHENOMENON.

"IN FACT, THE FUNDAMENTAL PRINCIPLES OF OUR BANKING SYSTEM HAVE REMAINED MUCH THE SAME SINCE THE SEVENTEENTH CENTURY. NOR IS THE FACT THAT THIS CREATION TAKES PLACE A VERY RECENT DISCOVERY AS SOME WITNESSES IMPLIED."

Governments have become puppets of this vicious system, and steadfastly refuse to create and issue money on behalf of the people.

They continue to borrow created credit and raise higher and higher levels of taxation to pay the interest. Until this system is altered to allow the issue of Debt Free Money to offset those interest charges, it can only lead to evermounting, unpayable and everlasting debt.

Because Governments have refused to create their own money, the Public Debt of New Zealand was well over 10,000 million dollars in 1980. This represents 246 dollars per minute for the last eighty years. In 1984 it worked out at approximately 3,500 dollars per minute for the last four years.

During the ten years (from 1970 to 1980) our interest bill and servicing charges have jumped from 185.1 million dollars to 825.6 million, without reducing the capital amount in any way.

And every dollar of this debt has interest charges which continue to push up taxation.

EVERLASTING DEBT AND TAXATION IS INCREASING AND UNREPAYABLE UNDER ORTHODOX POLITICAL PARTIES

That is what Social Credit has been warning for the last thirty years. Surely in 1985 all New Zealanders know that it is true and must be changed if we want a better way of life. Each succeeding year, our government and Local Bodies borrow more and up go our taxes—rates—prices—rents, etc. $100 borrowed at 14% equals $198 in seven years, which has to be paid back or it increases at an even faster rate.

The following table of figures tells the sad story:

	Total	**Per head**	**Per Annum**	**Average Weekly**	
YEAR	TAX (MIL)	PER HEAD	FAMILY (4)	WAGE	TIME TO PAY
1900	£6	£7	£28	£6	5 (weeks)
1939	£76	£46	£184	£10	19
1960	£594	£253	£1,012	£31	33
1977	$3,889	$1,205	$4,820	$120	40
1984	$10,481	$3,275	$13,101	$284	46
1985	$11,913	$3,722	$14,888	$309	48

HOW MUCH MORE CAN YOU TAKE?

Just as long as this system is allowed to continue our debt, taxes, rates, rents and prices will continue to increase. Our only hope of economic freedom is to change our monetary system. A reduction of debt money, internal interest charges, and taxation would reduce our internal production costs.

This would then also place us in a better position to develop our overseas trade. Our problem is not an overproduction of goods, but the lack of an efficient system of exchange to distribute them nationally and internationally.

STONE AGE SYSTEM: SPACE AGE SOCIETY

Under our stone-age system, all costs must forever force up wages, prices, rents, taxes, rates and inflation. The more production increases the more money is required to produce, distribute, and consume it. Under this system the more mechanised and efficient we become, in the production of goods and services, the more we are forced into debt to pay for it.

There is no argument that in New Zealand our Social Debt system is the main cause of our problems.

The following facts and figures show this clearly. They are taken from the Public Accounts and are shown in Millions:

TOTAL DEBT:	1970	$2,877m	1980	$10,386m
	1984	$21,879m	1985	$28,246m
TOTAL TAX	1970	$1,18m	1980	$5,880m
	1984	$10,481m	1985	$11,913m
SERVICING	1970	$185m	1980	$826m
NATIONAL DEBT	1984	$2,042m	1985	$2,563m

NEVER HAVE SO MANY OWED SO MUCH TO SO FEW

There is not the slightest doubt that our monetary system is a racket. The above figures, plus the unemployed, high interest rates, rising prices, rents, rates and inflation should be proof enough for any fair minded person. Note that all this debt is owed by 3.2 million people, half of whom are either 16 or under, or over 65 years of age.

THE BIG LIE

Was it Dr Goebels who said that if a lie was big enough and was told often enough most people would believe it? The lie that has been told for far too long is this; "The Banks do not create our money supply. They only lend their deposits." This is the lie that the majority of people in New Zealand believe, simply because they have been told it so often. This particular lie is completely false.

The English Bankers Journal states: "There is no more unprofitable subject under the sun that to argue any Banking or Credit points since there are more than enough substantial quotations in existence to prove to the initiated that Banks do create credit. There is just one restraint. Sound banking practice limits the creation of credit to nine or ten times the amount of legal tender that a Bank holds."

The big lie has been refuted consistently by various inquiries and Royal Commissions throughout the world. For instance; Sir Robert Kindersley (director of the Bank of England) wrote in Harmsworthy's Business Encyclopedia:—

"DEPOSITS OF COMMERCIAL AND PRIVATE TRADING BANKS AMOUNTING TO ABOUT 2 BILLION POUNDS HAS RESULTED IN GREAT MEASURE FROM CREDIT CREATED BY THE BANKS BY THE LENDING OF MONEY."

Extracts from the proceedings and evidence of the Bank of Canada Committee on Banking and Commerce.

Question:— "But there is no question about it that banks create the medium of exchange?"

MR TOWERS— "THAT IS RIGHT, THAT IS WHAT THEY ARE FOR. THAT IS THE BANKING BUSINESS, JUST AS IN THE SAME WAY AS A STEEL PLANT MAKES STEEL. THE MANUFACTURING PROCESS CONSISTS OF MAKING A PEN AND INK ENTRY ON A CARD OR IN A BOOK. EACH AND EVERY TIME A BANK MAKES A LOAN OR PURCHASES SECURITIES, NEW BANK CREDIT IS CREATED—NEW DEPOSITS—BRAND NEW MONEY. BROADLY SPEAKING, ALL NEW MONEY COMES OUT OF A BANK IN THE FORM OF LOANS. AS LOANS ARE DEBTS, THEN UNDER THE PRESENT SYSTEM, ALL MONEY IS DEBT."

Mr Towers at the time was the Governor of the Central Bank of Canada.

The Banks in actually creating money and lending it, have succeeded in building a gigantic pyramid of debt which is reaching astronomical figures, on which interest must be paid annually for ever. Unless the system is changed.

As was once the case with paper currency, we have allowed some financial institutions with the Government's sanction, to provide us with a money supply when the right to produce it undoubtedly belongs to the nation. It is sheer stupidity to be forced to lumber under a stone-age system in a space age society.

As over 90% of our business is transacted by overdraft money or Bank Credit, the amount of interest being paid on this debt is charged into the price of everything we buy, so we have an inherent built-in and constant inflation of costs, and prices, and devaluation of our money.

SOURCES OF REVENUE

Now let us turn to the sources of revenue of our Government. Under the present system, the Government only uses two sources of revenue: taxing and borrowing. When the Government taxes, the costs must be

charged into the cost of production and distribution. If it borrows, the interest and repayment of the loan must be repaid from taxes, or additional loans raised.

Even if it is repaid, it will be several times the amount of the original loan. Consequently, citizens are required by successive Governments to keep on paying ever increasing amounts just to keep the ship of state afloat.

In the first week in July 1976 to the same week in 1977, the total Trading Bank lending in New Zealand for the period increased by $388.6 million, an increase of 20.6% in twelve months to $2,361.5 million. But that was not all. The same Reserve Bank statement said that "the banks" had lent only 75% of their ability to lend. Please remember that this is only our indebtedness to the banking system within New Zealand; it does not include loans raised overseas.

Within twelve months we have had private trading companies, namely the trading banks creating out of nothing to the value of 488 million dollars, despite the highest rate of taxation ever, along with high levels of borrowing.

Now consider these figures reported in the N.Z. Herald on 5th May 1985. "Total trading bank lending rose 205.6 million dollars in the week". THIS MEANS THAT BANK LENDING HAS INCREASED BY NEARLY HALF AS MUCH IN A WEEK IN 1985, AS IT DID IN A YEAR IN 1977.

Work out the interest at present overdraft rates on this lot and you may see why prices rise and your wages buy less every week. Wake up Kiwi its later than you think.

WHAT IS POSSIBLE

Some socialists say that we should nationalise the banks. The State already owns the Bank of New Zealand and the Reserve Bank. The problem is not who owns the banks—it's the debt system that is the fault.

The trading banks are the nations book-keepers and as such they render a very efficient service, but the Government could and must create the country's money supply and issue it as a credit to the people, not as a debt to the financial institutions. It is the peoples financial credit and should be used for the benefit of the people.

When this is done the Government will have an additional source of revenue, without interest charges. This would allow it to reduce taxation without cutting health and welfare budgets. Our money should be created by the Reserve Bank and lent to the trading banks, central governments and local bodies. It's creation cost would be negligible—compared with the present racket—and yet it would enable the country to use its full productive capacity by balancing incomes with available goods and services. It belongs to us all and should be used to our benefit.

By implementing the above reforms, the Government would gradually reduce the rent factor (interest) that Lord Keynes insisted must be reduced if we are to have a stable economy. By using the sovereign right

to issue new money as a credit to the nation, the rent factor could be drastically reduced, and the debt, tax, cost-price spiral could be brought under control and slowly unwound.

It is ludicrous that at the present moment it is far more profitable to lend money to a hire purchase firm to help people to consume what is available than it is to produce anything. New Zealand desperately needs access to a lot of low interest credit.

INVESTMENT

In a stable economy with low interest rates and low inflation, money invested privately would bring a better nett return. By contrast, money invested at 15% with inflation at 15%, the nett return is zero. Inflation and rising prices go hand in hand with high interest rates.

There is a vast difference between the creation of new money and the earning and saving of money. Created money costs virtually nothing, but earned money costs a lot of effort and sacrifice.

Certain portions of created money would be used by Government as outlined earlier. The balance would be lent to the Trading Banks whose first priority in relending it would be in productive industry. These new ventures would be golden opportunities for private investors.

MYTHS EXPLODED

During a war both sides shower each other with destructive, complicated products, yet balance of payment problems are never considered. Millions of dollars worth of production is simply blown away. The overall production in the United States during the 2nd World War far exceeded the wildest dreams of the economists because what was physically possible was made financially possible. This was despite hundreds of thousands of men and women being in the armed forces.

Social Credit (now the NZ Democratic Party) monetary policy is nothing more than a reversal of the present debt system. Instead of an increase in the total money supply, there could well be less, but it would be where it was needed, without the cost-pushing markups of debt merchants. As for the argument that the use of Reserve Bank Credit would be inflationary, this would be true if trading bank lending was not restricted.

A leading NZ economist agrees that Government borrowing from the Reserve Bank need not be inflationary or increase the money supply provided that the Government reduces the Trading Banks ability to create credit to maintain a balance. Unless voters elect politicians who will take action to change the banking system it will tower over them like a colossus and reduce all their efforts to naught. The famous banker Meyer Rothschild, stated "Permit me to control and issue a nation's money and I care not who makes it's laws."

"Looking back over the last sixty years" wrote John A. Lee, "I am quite convinced that Walter Nash thought that the Banking system was the work of God and to speak against it was blasphemy". That may well apply to all politicians both Labour National. The result over that period proves it.

OLD PARTIES: SAME RESULTS

New Zealanders have been indoctrinated to fear one party or the other. You must vote Labour to keep National out, or you must vote National to keep Labour out. This is the strategy of both of them. They deceive you into supporting this ridiculously obsolete system when it should be obvious that despite all the criticisms each of the other, the end result of either party is virtually the same.

All we have from either of them over the last fifty years is ever increasing amounts of debt, taxes and inflation. This is an indisputable fact. They do not care how much they deceive you, so long as they can continue taking turns at being the government.

If you vote for them you will get what you deserve; more debt, higher taxes, and that obnoxious cancer of society—"Inflation".

WASTED VOTES

It has been said that a vote for Social Credit is a vote wasted. As successive Governments are influenced by public opinion or gullibility, your vote will actually have more impact on them if you vote for the NZ Democratic Party than for either of the old time parties.

Michael Joseph Savage said in 1935: "To provide an alternative to the present system, Labour says that the Public Credit should be controlled for the people by a National Credit Authority, whose duty it should be to provide a money service sufficient to give effect to the will of Parliament."

He also said during the 1935 election: "The real issue of the election is—shall private banking corporations continue in control of currency and credit or shall the state assume control? Unless the money problem is solved there is little hope of a permanent solution of the other problems facing the country. The daily Press has already taken sides in the matter and a campaign in support of the associated banks has already begun. A banking system that has been responsible for the bankruptcy of thousands of NZ's best citizens was referred to as a sound banking system."

Labour had a landslide election win, and did introduce some monetary reforms, like financing home building and the dairy industry with low interest credit. But then it slowly turned around and now has a harsher monetary attitude than National. It seems we have not made much progress in the last fifty years.

The problem is not an overproduction of goods or lack of need for them but the lack of an efficient financial system to mobilize production, distribution and consumption.

WHAT CAN BE DONE?

There is no doubt that the answer is political. In 1954, the then leader of the SC Political League said, "In 1935 we voted Labour and they sold us down the river. In 1949, we voted National and they sold us up the river." They have both done the same several times since then.

Now we have the NZ Party whose leader said, "Make no mistake. The Banks do not create money. They merely appear to, especially to an unsubtle mind." (NZ, The Way I Want It). He also claims that the banks only lend part of their deposits. Mr Jones does not quote one authority to back up what he says but hopes that people will believe him.

There is something you can do about it. Support th NZ Democratic Party. They have pledged to get rid of this system as their first priority. They will make sure that our Reserve Bank has sole right to create our money and has full control of our money supply. They want a proper balance between the money supply and available goods and services.

Opponents say:

IT HAS NEVER BEEN TRIED

NOT TRUE. In 1936, John A. Lee launched his State Housing Scheme with a Reserve Bank draft of $10,000,000 at 1¼% interest. Bob Semple as Minister of Works found work at full wages for thousands of unemployed men. The Dairy Board was granted a Reserve Bank overdraft up to $1,400 million dollars at 1% and it operated for 47 years. It has always been paid back and has never cost the taxpayer a cent. But now both Labour and National are co-operating to phase it out, to please the debt merchants.

NO ONE UNDERSTANDS IT

That people "do not understand Social Credit" is simply one of the many tactics used by those who, if it were understood, would have the most to lose. Their main strategy is to try to ensure that people will not further their understanding of what the existing debt-finance system really means. Their weapons are ridicule, lies and gobbledegook.

The enormous mountain of evidence against them, is such that if placed before a jury and charged with telling lies, they would be found guilty.

The following evidence is typical:

My H. White, Chairman of the Associated Banks of NZ, as reported in the Royal 1955 Monetary Commission proceedings: "I DOUBT VERY MUCH WHETHER YOU WOULD GET MANY PROMINENT BANKERS TO ATTEMPT TO DENY THAT BANKS CREATE CREDIT. I HAVE TOLD YOU THAT THEY DO—MR ASHWIN (SEC OF THE TREASURY), HAS TOLD YOU THAT THEY DO—MR FUSSELL, GOVERNOR OF THE RESERVE BANK HAS TOLD YOU THAT THEY DO." A LITTLE LATER HE SAID, "THERE IS NO SECRET ABOUT THE BANKS CREATING MONEY."

HOW OUR MONEY IS CREATED

It is quite simple really. For example, I owe you $1000 dollars for helping me to create an asset worth say twice that. Neither of us has any money. I obtain an overdraft from my bank for $1000 by giving a

mortgage on my assets. It has made sure that the sale of those assets would be capable of repaying my loan plus the interest. I then write you a cheque for $1000 which you promptly deposit in your own bank. At days end, you have your money, the Bank has a brand new deposit, plus the mortgage on my assets, plus a guarantee that the interest will be paid even if they have to sell me up. I have the debt.

In the morning of this day, the $1000 did not exist.

The Bank created it out of nothing.

So long as the banking system is the only source of new money, interest on new debt means more borrowing to pay it.

This is what the Wealth Committee of the congregational Churches of Scotland described and condemned as an un-Christian and unjust debt finance system.

WHAT THE NZ DEMOCRATIC PARTY WILL DO

Because of its clear analysis of the monetary problems facing the country, the NZ Democratic Party shows the way without hesitation to the new order. They will ensure that:

1) Ownership of their own credit will be restored to the people so that they will be the ultimate and major beneficiaries of its use.
2) The Reserve Bank will, under the direction of Parliament, be the only institution with the power to create, issue and cancel New Zealand money.
3) The Reserve Bank will determine the limits of the total volume of financial credit creation, such limits to be related to the value of the nation's total production of goods and services.
4) The Reserve Bank will be charged with the duty of preparing proper statements of the National Accounts, including a National balance sheet showing the true wealth and financial position of the country. These accounts will be presented in conformity with modern accounting practice and will be tabled in Parliament, at least annually.
5) The Reserve Bank will ensure that the available buying power in New Zealand equates with the value of the goods and services available for consumption.
6) The Reserve Bank will provide loans free of interest, with an administration charge only for approved National and Local Body projects.

With the establishment of true individual freedom the foundations will have been laid for a far better order of Society and the inheritance of Social Justice by the coming generation.

One final quote from Sir Winston Churchill from a speech delivered at the opening of the British Parliament on November 3rd 1953:—

"There is no doubt that if the human race are to have their dearest wish and be free from the dread of mass destruction, they could have as an alternative, what many of them might prefer, namely the swiftest expansion of material well-being. I mean not only wealth but a degree of leisure for the masses such as has never before been possible in our mortal struggle for life.

"These majestic possibilities ought to gleam and be made to gleam before the eyes of the toilers in every land and ought to inspire the actions of all who bear responsibility for their guidance. We and all nations stand at this hour in human history, before the portals of supreme catastrophe and measureless reward. My faith is that in God's mercy we will choose aright".

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* The Goddess of Vengeance or Retributive Justice.

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